

This month:

- **Pricing Transparency and a fear factor**
- **Why pricing should not be an issue**
- **The benefits of focus on conversion**

Just to grab your interest initially let's look again at a few sums. Here is where the benefits start

Assume your current performance as a business provides:

	£k
• Revenue	4,000
• Direct Costs	2,000
• Gross Profit	2,000 (50%)
• Overhead	1,700
• Net Profit	300 (7.5%)

Increase your prices by 10%

• Revenue	4,400
• Direct Costs	2,000
• Gross Profit	2,400 (55%)
• Overhead	1,700
• Net Profit	700 (16%)

Cut your prices by 10%

• Revenue	3,600
• Direct Costs	2,000
• Gross Profit	1,600 (44%)
• Overhead	1,700
• Net Loss	100

Many people in many firms believe that the only way to compete is the reduction of prices and this can be devastating to the business. Law firms need to think a bit more about their potential and actual clients of whom only about 10% of their decisions are made on the basis of cost. It is all about confidence, empathy, level of service, communication, even regulation.

Clients need to understand exactly what they are buying so the move to transparency of service is actually long overdue as long as firms emphasise the quality of their service, experience and expertise to justify their pricing that may be higher than other providers.

Efficiency and productivity are also very key needs and I am still surprised by the number of fee earners who take twice as long to complete a service as their colleagues. Handled correctly clients will pay for what they receive if done well.

That £4million turnover firm that gets its GP up to 60% (IT use, process, efficiency, staff management) - certainly not unusual and 65% for some departments is the benchmark I use would be presenting numbers like this.

	£k
• Revenue	4,000
• Direct Costs	1,600
• Gross Profit	2,400 (60%)
• Overhead	1,700
• Net Profit	700 (17.5%)

Add to that the benefit of a price rise and you are really talking. It needs focus

Last month I shared a very relevant platform with Mike Porter of Legal Mentors <https://legal-mentors.com/what-we-do> who are specialist in assisting law firms to make more money from their activities – training, coaching, process, mystery shopping

New Web Site Regime

This new set of rules to be applied further highlights the need for firms to have confidence in their abilities as from 6th December, providers of a range of legal services including conveyancing, probate, motoring offences, employment tribunals and immigration have to publish on their website clear details of the pricing and service-levels that clients can expect to receive, and provide clients and prospective clients with detailed cost estimates in writing.

Mike says “Presumably, 'pricing transparency' is intended ultimately to make the market for legal services more competitive but the last thing firms should consider is a reduction in their pricing”

The numbers above also make that point

In preparation for a recent workshop for law firms in Cheshire, Legal Mentors had conducted a mystery shopping exercise by calling ten of the firms attending seeking a quote for some conveyancing work - the purchase of a freehold property. Quotes ranged from £749 to £1,025 so the spread of pricing would suggest consumers already have plenty of choice based on price. Apparently however not a single firm, provided the caller any information about their service, leaving the potential client to make their choice based purely on price. Quite a shock for some of the senior law firm attendees in the room as this related to their firms.

As Mike points out “It is an established fact that consumers base their decision on a combination of factors including value, convenience and the service they can expect to receive. Not simply just price. Think Aldi vs. Waitrose.”

The key thing is the quality and communication message. To justify higher-than-average pricing, law firm staff need to really understand what the prospective client wants and expects e.g. their timing, how often they want progress updates etc. and integrate the issue of the quality of your service, experience and advice into the conversation.

You need to help the prospective client to choose you by giving them clear messages about the service they can expect to receive and how, by charging a fair fee, you can help them.

Proper legal advice and good service cannot be provided on the cheap. Cheap legal help is often a false economy - leading to delays and problems potentially in the future.

Going forward – all law firm staff need to understand the importance of converting more opportunities into additional new fees at the right price and importantly how they can help the client to choose to instruct your firm. Firms can help their staff to develop the necessary 'soft skills' with appropriate training.

For too long law firms have neglected this critical area of their business. It is not about 'hard selling', but helping the client to 'buy' your firm's services as against another provider. Your staff need to understand the importance of converting more opportunities into additional new fees at the right price and importantly how they can help the client to choose to instruct your firm. Firms can help their staff to develop the necessary 'soft skills' with appropriate training.

More Economics

As this column has talked about before conversion of enquiries is critical. We spend a fortune on marketing – web sites, PR, events, networking, direct mail and then don't capitalise.

My experience tells me that say a 100 person law firm doing the right marketing stimulate c 500 enquiries a month. How many of you are aware of this statistic for your firm as well as by department along with the conversion %.

For me it is a key daily statistic – at least as important as billing and billable hours recorded daily

Many firms generating 500 enquiries a month only actually convert 25% of those enquiries – and at say a lowly £500 per month equates to £62,500 billing per month and £750k annually. Those that are getting 50% per month generate £125,000 per month and £1.5million annually.

Some of the smart firms that focus are actually converting across the board 65% equating to £162,500 per month and £1.95million annually.

I cannot see a single reason on why this should not be a prioritised training, culture change and reporting requirement for every department and individual.

MLS Advantage - Advantages

I often refer to MLS Advantage suppliers when seeking the business benefits that most law firms need and rely on. This is a very carefully selected group of suppliers who have undergone due diligence and are performance monitored. Some extra benefits available for MLS Corporate Members also. Well worth a look. There are currently 12 member firms and many have a track record of working together for client benefits. Their services should naturally be reviewed for the benefits they bring

Efficiency, productivity, agility, mobility, security, compliance, resilience, communication, client interface, outsourced services and skills

<https://www.bclmoving.com/archive-shredding-services/shredding.html>

<https://www.frama-rmail.com/en/>

<https://www.moneypenny.com/uk/>

<https://www.searchflow.co.uk/>

<https://www.nasstar.com/>

<https://www.acastaeurope.co.uk/>

<https://www.xyonecybersecurity.co.uk/>

<http://www.documentdirect.co.uk/>

<http://www.docutechsolutions.co.uk/>

<https://compli.weightmans.com/>

<http://www.viewpoint-av.media/>

<https://www.matrix247.com/>

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